



# DWS Invest Artificial Intelligence

Q4 – Quarterly Report



Investors for a new now

# Quarterly Update: DWS Invest Artificial Intelligence LC (ISIN: LU1863263346)

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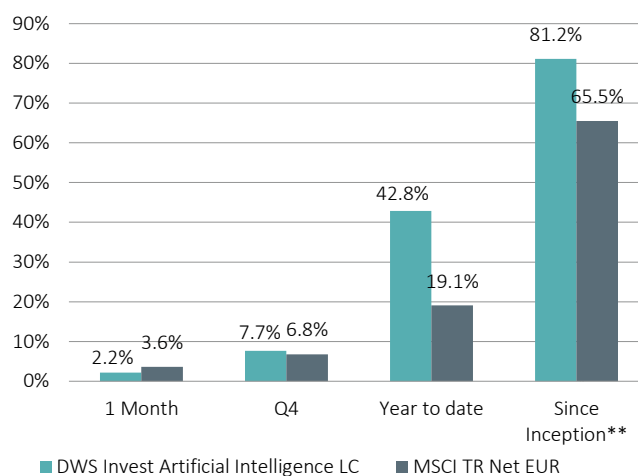
**Magnificent Seven — Seven in one go**

**Amazon**      **Tesla**      **Apple**      **Meta**

**Alphabet**      **NVIDIA**      **Microsoft**

*The mega caps mentioned above are responsible for a large part of the positive performance of the broad market in 2023. All of these stocks are included in the portfolio.*

Performance of DWS Invest Artificial Intelligence LC (in EUR)



DWS Invest Artificial Intelligence has no official Benchmark. Calculation of performance is based on the time-weighted return and excludes front-end fees. Individual costs such as fees, commissions and other charges have not been included in this presentation and would have an adverse impact on returns if they were included. Past performance is not a reliable indicator of future returns. Source: DWS International GmbH; As of: End of Dec. 23

## Market Review Q4:

After a pause in the third quarter of 2023, equity markets continued their rally in Q4 driven by expectations of lower inflation and decreasing interest rates. While the global equity markets showed some downward movement in October, the markets reversed in November and December, and ended close to the all-time highs of 2022.

In October, the events in Israel exacerbated the already tense geopolitical situation significantly, while the interest rate levels showed no sign of a return to lower levels. In November, the increase in share prices was predominantly driven by the prevailing opinion that both the US Federal Reserve and the European Central Bank may have ended the cycle of interest rate hikes fueling hopes for interest rate cuts in the course of 2024. These expectations received an additional boost by the lower-than-expected inflation data

raising hopes of an ending recessionary period and impacting markets positively in December.

Over the quarter, Developed Market (DM) equities outperformed Emerging Market (EM) equities mainly due to continued weakness in mainland China, while tech-heavy markets such as the US and Taiwan were among the biggest performers. The “AI-Boost” continued in Q4 helping the “magnificent seven” tech and AI stocks to continuously dominate the US market while AI-related companies in other regions, like SAP, TSMC, and Samsung also gained positive momentum.

**Performance attribution by sector of DWS Invest Artificial intelligence in QTD (in EUR, in %)**

	Portfolio weight	Perf. Contribution
Consumer Discretionary	11.99	0.62
Consumer Staples	1.52	0.24
Financials	3.65	0.52
Health Care	4.39	0.15
Industrials	2.62	0.38
Information Technology	53.92	7.10
Communication	19.28	-0.07
FX	0.00	-0.01
Cash	2.63	-0.07
Other	0.00	0.00
<b>Total</b>	<b>100.0</b>	<b>0.4</b>

As of :End of Dec. 2023 ; Source: DWS International GmbH  
 Past performance is not a reliable indicator of future returns. Allocations are subject to change without notice

**Performance attribution by country of DWS Invest Artificial intelligence in QTD (in EUR, in %)**

	Portfolio weight	Perf. Contribution
China	10.51	-0.80
France	0.37	-0.11
Germany	3.90	0.50
Israel	1.06	0.13
Japan	1.31	0.15
Korea (South), Republic of	2.05	0.21
Netherlands	2.52	0.68
Singapore	0.81	-0.12
Taiwan (Republic of China)	6.94	1.19
United States	67.92	7.12
Cash	2.63	-0.08
<b>Total</b>	<b>100.0</b>	<b>0.14</b>

As of :End of Dec. 2023 ; Source: DWS International GmbH  
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**AI Specific News Q4**

In the last quarter of 2023, Artificial Intelligence (AI) continued to dominate market discussions and provided support to the overall equity markets. Companies announced new AI-enabled features and product integrations. In the following paragraph, we like to highlight some noteworthy company announcements related to AI.

During the fourth quarter, researchers from Nvidia created an AI agent, called Eureka, that can teach robots to learn complex skills faster. That means that the AI automatically generates code to train the robot and improves by evaluating results and modifying rewards. In addition, Apple announced to integrate AI into Siri, Messages, and Apple Music with new AI features being added to their next iOS version.

In November, Samsung launched its own internal Generative AI (GenAI), called Gauss, to boost employee productivity. Their AI comes in 3 separate models: 1) Gauss Language, a GenAI model that helps employees writing emails and translate content, 2) Gauss Code, helping in-house developers to write code faster, and 3) Gauss Image, to generate or edit images.

As of: January 2024; Source: DWS International GmbH

In December, Google announced Gemini, its new multimodal Large Language Model (LLM) that can process text, image, video, and audio, and output text, charts, and tables. In addition, Google also announced its new AI-chip TPU V5p and Advanced Micro Devices announced several new products including its next GenAI chips Instinct MI300 A/X to rival Nvidia.

Finally, Microsoft also revealed new Copilot upgrades including GPT-4 Turbo, better DALL-E image generation, and new features like code interpreter. Furthermore, Intuit, an accounting software provider, announced new GenAI features to its tax filing software, TurboTax, which shall assist users and make the tax filing process easier.

## Performance Commentary (LC share class)

In Q4 2023, the DWS Invest Artificial Intelligence was up by 7.7%, while the MSCI World TR Net (in EUR) was up 6.8%. **Year to Date the DWS Invest Artificial Intelligence outperformed the MSCI World TR Net (EUR) by 23.2% (DWS Invest AI 42.8%, MSCI World 19.6%).**

During the past quarter, among the best performing companies were Adyen, Advanced Micro Devices, and Pinduoduo Holdings, while Meituan, SolarEdge Technologies, and Ubisoft lagged in performance. This shows that **stocks other than the “Magnificent Seven” can positively contribute to the fund's performance.**

Advanced Micro Devices benefitted from its introduction of several new products including its next GenAI chips MI300. This left markets with more conviction that the company is positioned for long-term growth in AI computing. Adyen benefitted from better-than-expected net revenue growth, while Pindoudou continued its success with Temu, an online shopping app. However, SolarEdge Technologies struggled over concerns about the health of the solar end market, Ubisoft faced negative sentiment after it

issued a convertible bond, and Meituan faced headwinds due to margin pressure concerns.

In October, the DWS Invest Artificial Intelligence lost 3.7% in value while the global equity market decreased by 2.7%. The drag in performance came from the Communications, IT and Industrials sectors. In November, the DWS Invest Artificial Intelligence gained 9.5%, outperforming the global equity markets. Positive performance contributions came from the IT, Communication and Consumer Discretionary sector. Following an already strong November, the DWS Invest Artificial Intelligence gained 11.9% in value in December, outperforming the global equity markets with a performance of 9.8%. Positive performance contributions came from the IT, Industrial and Communications sectors.

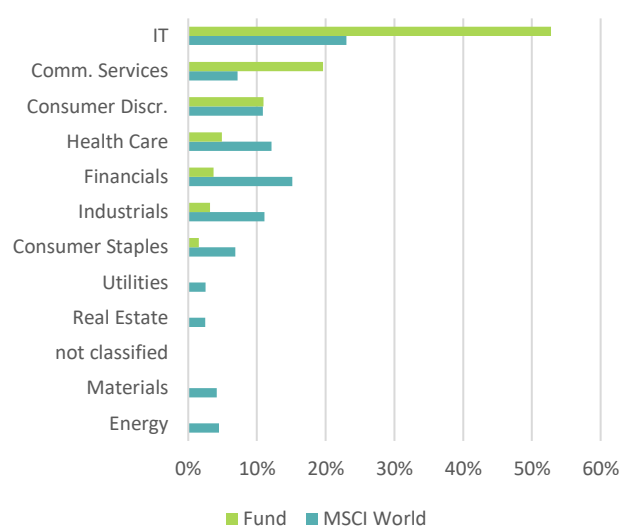
In Q4 the fund benefitted from its positioning in US, Taiwan and Netherlands at country level. At a sector level, the IT, Consumer Discretionary and Financial sectors were the strongest contributors. On a single stock level, Microsoft, TSMC and Amazon were the biggest contributors.

### Top 10 holdings and performance:

Top 10 Holdings*	Portfolio weight:	Performance QTD:	Performance YTD:
Alphabet Inc	7.2%	-1.1%	53%
Microsoft Corp	7.2%	11%	52.5%
Nvidia Corp	5.5%	5.1%	227.4%
Taiwan Semiconductor Manufacturing Co Ltd	4.8%	11.1%	27.9%
Amazon.com Inc	4.3%	11.5%	74.8%
Meta Platforms Inc	3.7%	9.6%	184.2%
Synopsys Inc	3.3%	5.5%	55.8%
Adobe Inc	3.0%	52%	71.3%
Arista Networks Inc	2.7%	8.8%	87.5%
Applied Materials Inc	2.5%	10.4%	60.8%
<b>Sum</b>	<b>44.1%</b>	<b>12.1%</b>	<b>42.8%</b>

\*In % of fund volume, in EUR; as of: Dec. 2023, source: DWS Investment GmbH  
Past performance is not a reliable indicator of future returns.

### Sector Allocation:



Note: Allocations are subject to change without notice  
As of: End of December 2023; source: DWS International GmbH, ReportFinder

## Current Positioning

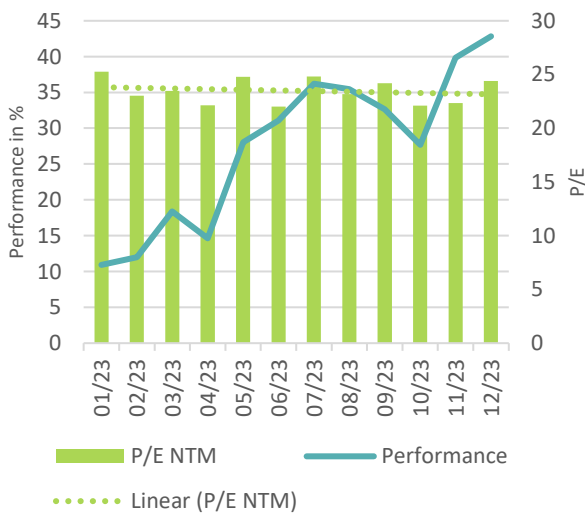
In Q4 2023, we took some profits on stocks from the Information Technology sector, which performed strongly, and we made some new additions to the portfolio increasing our exposure to China. For instance, we took a new position in Kuaishou Technology, a live streaming app and platform for short videos. Kuaishou demonstrates a favorable revenue mix towards its high-margin ad and e-commerce business benefitting from integrating AI into its content generation. Furthermore, we also added Paylocity to the portfolio. Paylocity provides Software-as-a-Service payroll and HR solutions to the middle market and introduced AI Assist, a HCM integration of generative AI, which leverages models from OpenAI to help clients engage with their employees. For example, users can draft ready-to-send announcements, tailor messages to specific audiences, or translate announcements into other languages to reach multilingual employees. We sold our position in Coupang Inc., GoDaddy, Broadcom, and Wiyynn. Overall, we kept the regional exposure relatively stable. We slightly increased our exposure to the Health Care and Communication Services sector, while slightly decreasing our exposure to the

Information Technology and Consumer Discretionary sector. The cash level is currently around 3.5%.

## Investment Strategy and Outlook

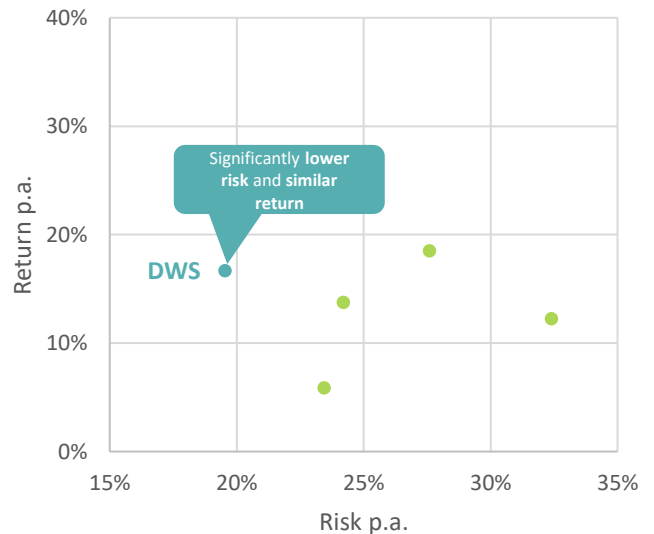
Overall, we are constructive that Q1 2024 will be the economic trough and labor markets will remain robust supporting consumer facing companies. We see opportunity in non-mega cap tech with structural growth potential from innovation. For example, the proliferation of cloud software and infrastructure coupled with easing IT budget restrictions should provide long-term, structural growth. The expansion of AI use cases provide strong earnings-growth potential with improved efficiency and productivity gains. We continue to look for attractive investment opportunities and focus on the value added in terms of risk-adjusted return for the overall portfolio.

Rising Performance at stable valuation levels in our portfolio



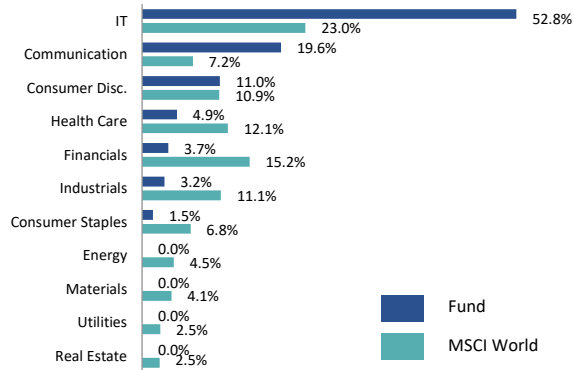
Past performance is not a reliable indicator of future returns.  
Source: Aladdin, DWS International GmbH, as of End of Dec. 2023

Best Risk/Return Ratio over 5 years compared to peers\*



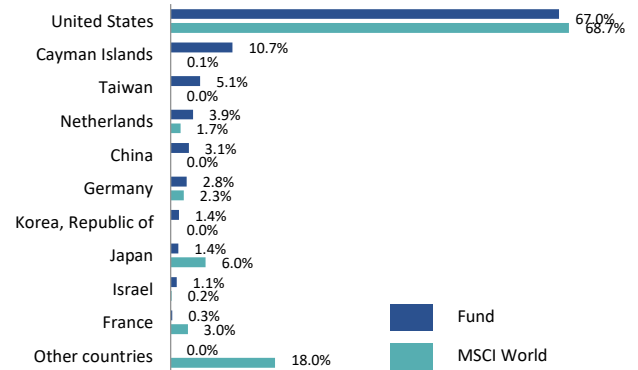
Source: DWS International GmbH; as of: End of Dec. 2023  
\* Morningstar Active Equity Peers with EUR Shareclass and 5 Year Track Record.

## Sector allocation



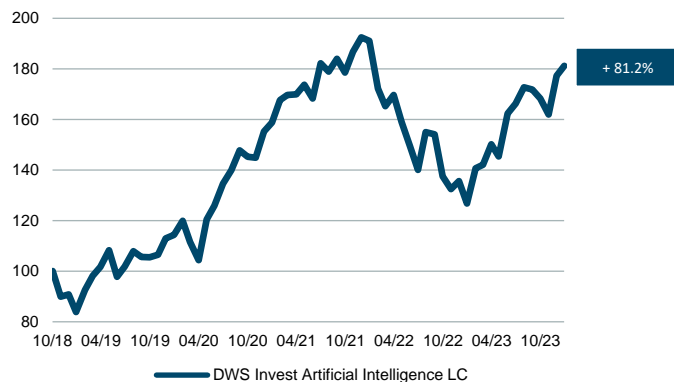
Note: Allocations are subject to change without notice  
As of: End of December 2023; source: DWS International GmbH, ReportFinder

## Country allocation



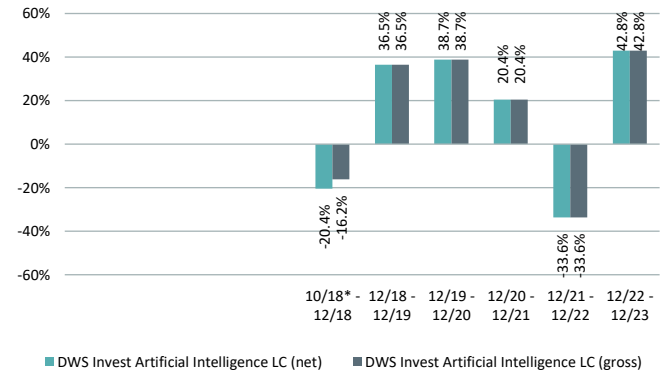
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As of: End of December 2023; source: DWS International GmbH, ReportFinder

## Performance since Inception



Past performance is not a reliable indicator of future returns.  
As of: end of December 2023; source: DWS Investment GmbH

## Performance in the last 12-month-periods



Past performance is not a reliable indicator of future returns.  
As of: End of December 2023; source: DWS International GmbH, ReportFinder

## Investment strategy

The objective of the investment policy is to achieve long term capital appreciation. In order to achieve this, the fund invests primarily in companies of the global equity markets whose business will benefit from or is currently related to the evolution of artificial intelligence. In addition, equities of all market capitalizations, stock certificates, participation and dividend right certificates, convertible bonds and equity warrants issued by foreign and domestic companies may be included. When selecting investments, environmental and social aspects and the principles of good corporate governance (ESG aspects) are taken into consideration alongside the financial performance. The selection of individual investments is at the discretion of the fund management

## Facts & Figures:

Share Classes*:	LC	LD	FC***	TFC	XC****
Share Class Currency:	EUR	EUR	EUR	EUR	EUR
ISIN:	LU1863263346	LU1863263429	LU1863263262	LU1863263858	LU1863263932
Germany Sec. Code:	DWS2W9	DWS2XA	DWS2XB	DWS2XD	DWS2XC
Front-end load**:	up to 5.0%	up to 5.0%	0.0%	0.0%	0.0%
Management fee p.a.****:	1.500%	1.500%	0.750%	0.750%	0.350%
Running costs (31/12/2022) plus performance-related fee for earnings from securities lending:	1.600%	1.600%	0.860%	0.860%	0.450%
	0.000%	0.000%	0.000%	0.000%	0.000%
Allocation of Income:	Reinvestment	Distribution	Reinvestment	Reinvestment	Reinvestment
Legal Form:	Luxembourg SICAV Umbrella				
Fund Volume:	861.4mn EUR				
Fiscal Year:	1/1 – 31/12				

\*) This document contains details of the share classes LC, LD, FC, TFC, XC only. Please refer to the latest full or simplified sales prospectus for information on possible other share classes; \*\*) Based on the gross investment correspond approx. to 5.26% based on the net investment; \*\*\*) Minimum investment for initial subscriptions is 2,000,000 Euros; \*\*\*\*) Minimum investment for initial subscriptions is 2,000,000 EUR; (Seeding share class up to a total fund volume of EUR 100 mn).  
As of: end of December 2023; source: DWS International GmbH

## Risk & Opportunities:

### Opportunities:

- Market, sector and company-specific price gains
- Possible exchange-rate chances

### Risks:

- Market-, sector- and company-specific price volatility
- Possible exchange-rate risk
- Because of its composition or the techniques used by its managers, the fund is subject to heightened volatility. Consequently, unit prices may fluctuate sharply in either direction within short periods of time
- The value of the fund's shares may fall below the price at which the client originally bought them

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a trust whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 305 of the SFA except:

to an institutional investor or to a relevant person (as defined in Section 305(5) of the SFA), or to any person arising from an offer referred to in Section 275(1A) or Section 305A(3)(c)(ii) of the SFA;

where no consideration is or will be given for the transfer;

where the transfer is by operation of law;

as specified in Section 305A(5) of the SFA; or

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